

PROPOSED BUDGET FISCAL YEAR 2009-10

FISCAL YEAR 2009-10

BUDGET PROCESS/SCHEDULE

- ✓ January 27: FY09-10 Long-Range Financial Forecast and Economic Development Strategy Update
- ✓ February 10: First CDBG Public Hearing
- ✓ February 17: FY09-10 General Operating Fund Budget Background Study Session
- ✓ February 24: Mid-Year Budget Status Report
- ✓ March 9 and 31: Council Goals Setting Workshops
- ✓ April 7: General Operating Fund Budget Balancing Strategy and Narrative Budget Report Part I - Special Revenue and Utility Funds Study Sessions
- ✓ April 14: First Capital Improvement Program Study Session
- ✓ April 28: Second CDBG Public Hearing
- ✓ May 5: Budget Overview Study Session and Narrative Budget Report Part II - General Fund
- ✓ May 19: Council Goal Setting Discussion and Capital Improvement Program Adoption
- **June 2: Budget Public Hearing**
- **June 9: Utility Rates and Budget Public Hearings/Budget Adoption**

INTRODUCTION

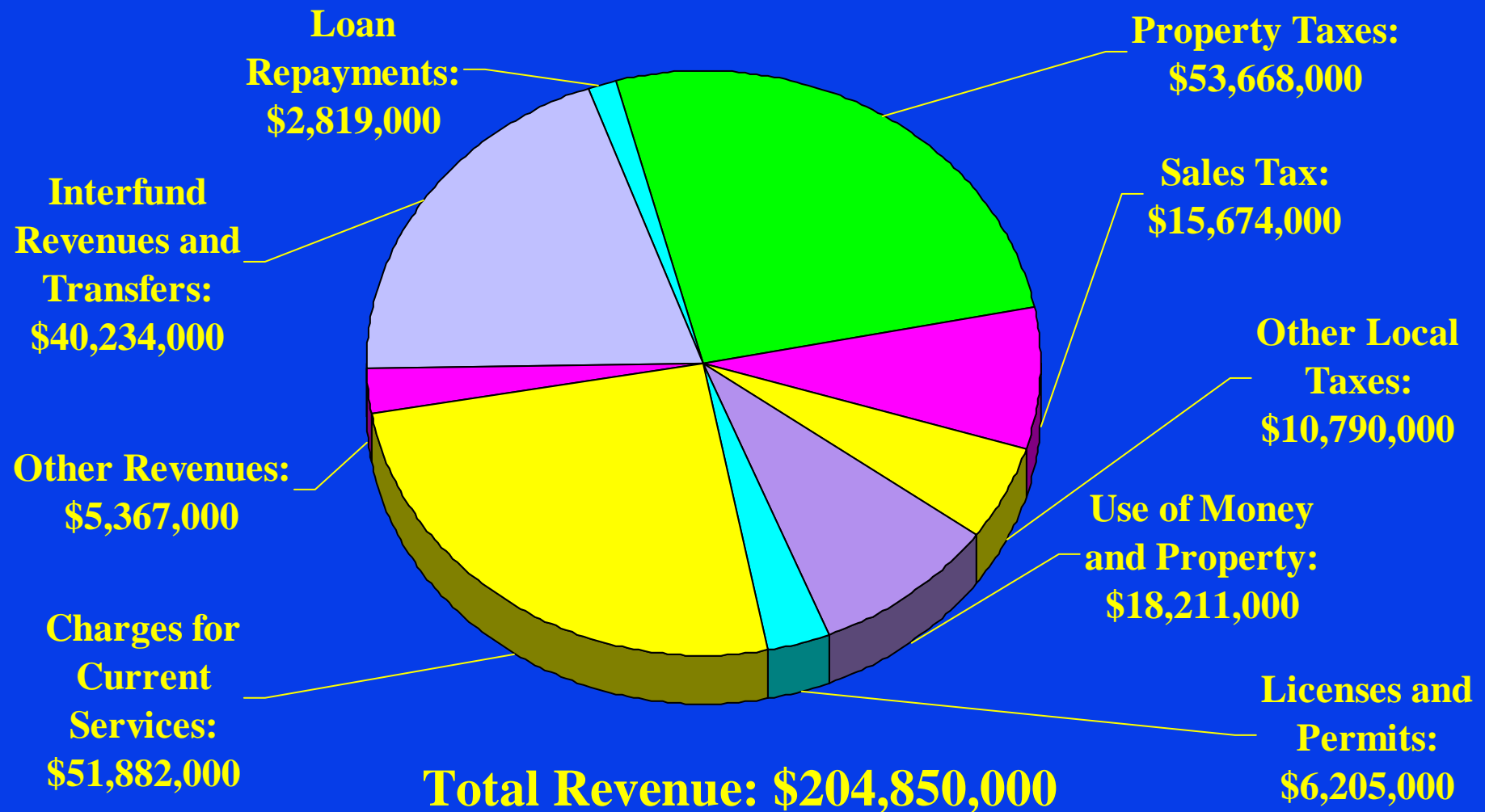
- Proposed Budget:
 - Aggregation of previous recommendations/issues
 - A clear financial plan for FY2009-10
- General Operating Fund
 - Recession significantly impacting General Operating Fund
 - Revenues declining while expenditures still growing
 - Proposed strategy
- Revitalization Authority Fund
- Shoreline Regional Park (North Bayshore) Community Fund
- Water Enterprise (Utility) Fund
- Wastewater Enterprise (Utility) Fund
- Solid Waste Management (Utility) Fund

TOTAL FISCAL YEAR 2009-10 PROPOSED BUDGET

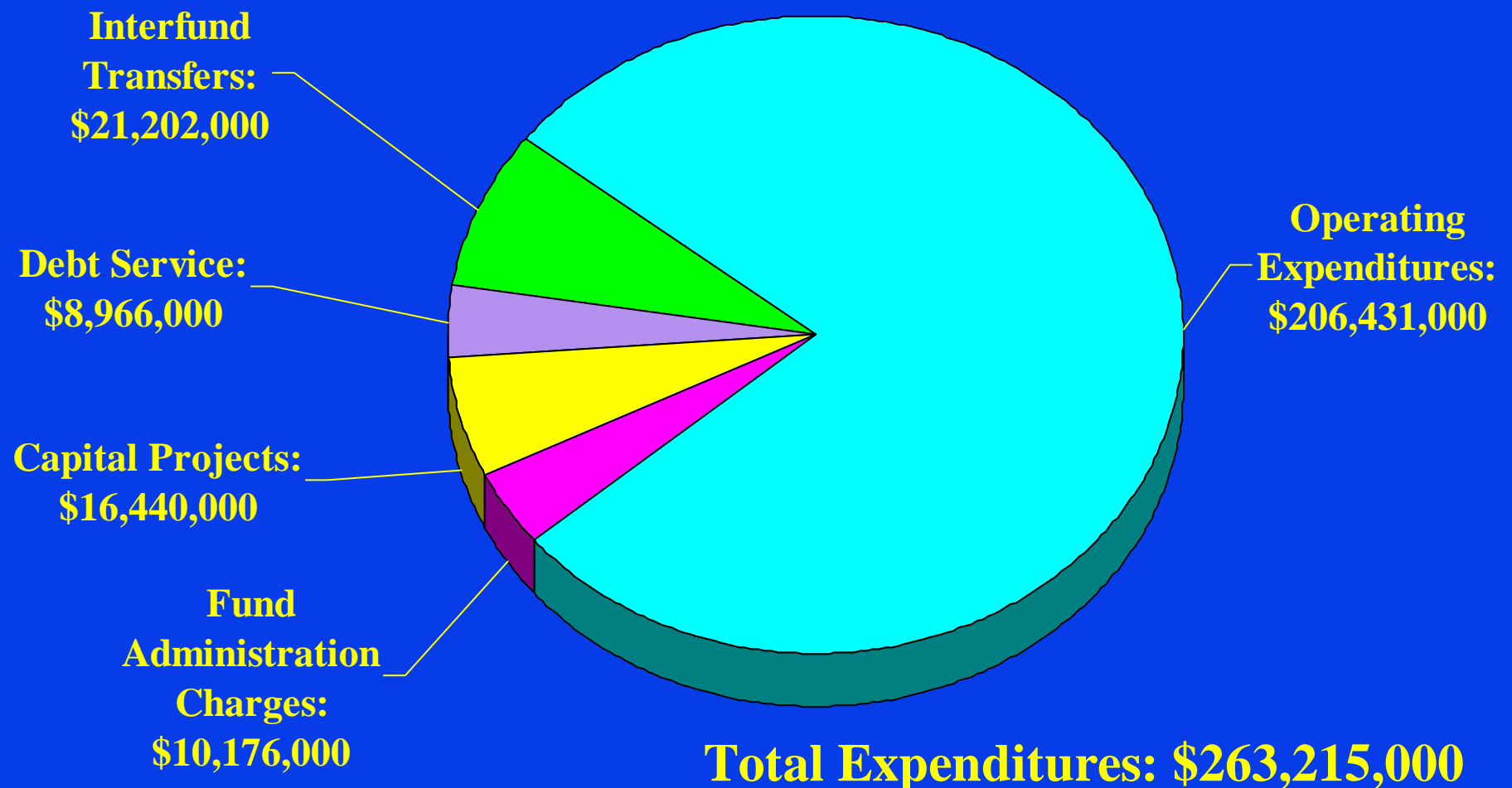
	<u>Revenues</u>	<u>Expenditures</u>
General Fund:		
General Operating Fund:	\$ 86,677	\$ 91,552
Building Services:	2,866	3,924
Shoreline Golf Links:	3,267	4,109
General Fund Reserves:	11,034	32,484
Special Revenue Funds:	39,313	38,822
Capital Improvement Funds (excl CIPs):	446	1,580
Enterprise (Utility) Funds:	45,412	51,498
Internal Service Funds:	<u>15,835</u>	<u>39,246</u>
Total All Funds:	\$ 204,850	\$ 263,215

(Dollars in Thousands)

PROPOSED TOTAL FUND REVENUES FISCAL YEAR 2009-10



PROPOSED TOTAL FUND EXPENDITURES FISCAL YEAR 2009-10



DRAFT CITY COUNCIL GOALS

FISCAL YEAR 2009-10

- Enhance the City's volunteer service program
- Implement the elements of the Environmental Sustainability Action Plan identified by the City Council for action in FY09-10
- Maintain constructive activities for youth (including after-school activities, summer school, teen center programs, and expanded sport center activities)
- Develop a Youth Master Plan.
- Assess the Rengstorff Avenue and California Street neighborhood

GENERAL FUND

ECONOMIC IMPACTS ON THE GENERAL OPERATING FUND

- Decline in residential property values
- Significant slowdown of private development projects
- Decreased consumer spending and resulting decline in sales tax revenue
- Rate-cutting actions taken by the Federal Reserve and the resulting drop in investment yields
- Business slowdown and growth in unemployment
- Decline in travel and corresponding loss of transient occupancy tax (TOT) hotel tax revenue

CURRENT CIRCUMSTANCES

- This decade → \$7.0 M of reductions / \$2.1 M restorations
- FY08-09 Adopted Budget
 - Revenue \$89.0 M
 - Expenditures \$88.4 M
 - Economic Stabilization Contingency (ESC) \$559,000
- Impact of the recession
 - Sales Tax, TOT, & Investment Earnings down → \$2.1 M
- Current status of FY08-09
 - Revenues down \$920,000 (Est. \$88.0 M)
 - Expenditures down \$2.2 M (Est. 86.2 M)
 - Estimated balance \$1.9 M

CHANGES SINCE MAY 5 PUBLIC HEARING

- FY09-10 GF Revenues/Expenditures/Use of Reserves
 - Revenue \$86.9 M → \$86.7 M
 - TOT revenue lower -\$207,000
 - Expenditure recommendations no change \$89.2 M
 - Use of Reserves \$2.0 M
 - Updated at \$2.2 M

PRINCIPLES ON WHICH THE BUDGET IS BALANCED

- Maintain services to the public to the greatest extent possible
- Fund long-term obligations
- Maintain infrastructure
- Attempt to focus “general purpose revenue” on “general purpose services”
- Keep the City as fiscally sound as possible

BUDGET BALANCING STRATEGY

- Goal of a “structurally balanced” budget not reasonably achievable by July 1
- Address approximately \$4.0 M (2/3^{rds}) of the estimated \$6.0M projected deficit with recommended strategies (“Tier 1”)
- Address approximately \$2.0 M (1/3rd) of the projected deficit via the use of reserves
- Continue to pursue strategies to address the remaining structural deficit for FY09-10 and begin to plan for additional actions needed to address the projected deficit for FY10-11
- Determine a process to inform and engage stakeholders

ASSUMPTIONS FOR BUDGET BALANCING STRATEGY

- Significant impact of further reductions
- Time needed to identify and analyze alternatives
- Need to stay focused on not allowing an increasing structural deficit
- Short-term/temporary strategies will not correct this problem
- Potential for the recession to be prolonged with only a gradual recovery over time

ACTIONS TAKEN TO DATE

- Implementation of a partial hiring freeze
- Preparation of a FY09-10 budget not including any discretionary increases
- Departments submission of 10.0 percent budget reductions for FY09-10
- Departments instructed to manage expenditures in the current fiscal year to reduce costs
- Capital Improvement Program reviewed for deferment of projects
- Meetings with employee groups regarding potential cost containment strategies

RECOMMENDATION CRITERIA

- Tier 1 (Proposed Budget) – Viewed as having relatively less impact on services, the public and employees.
Undesirable, but less significant than Tier 2 or Tier 3
- Tier 2 – Viewed as having a more significant impact on City services, the public and staff than Tier 1
- Tier 3 – Viewed as more fundamental in nature (changing service delivery models, significant service level changes, etc.) and in general are more complex to analyze and would require more time to implement

MAJOR STRATEGY PROPOSALS IN TIER 1

- Funding for the Civic Center debt payments will be transferred to the Construction/Conveyance Tax Fund
 - Reduced funding for capital improvement projects
- Include salary savings in calculations by budgeting vacant positions at 80.0 percent: -\$300,000 est. savings
- Include estimated budget savings (an average of prior fiscal years)
 - Budget savings estimated \$2.6M
 - Less (to possibly no) carryover balance for needed uses
 - Used to fund balance of annual contributions
 - Equipment Replacement \$685,000
 - Retirees' Health \$1.6M
 - Net \$325,000

MAJOR STRATEGY PROPOSALS

IN TIER 1 (cont.)

- A variety of revenue and expenditure recommendations
 - Greater cost recovery in areas
 - 14.75 positions unfunded (2.0 in Golf, 0.15 in Water, 0.15 in Wastewater)
 - Planning Staffing
 - Capital Outlay funding
 - Parks and Landscape Maintenance
 - Police Support Services
 - Engineering and Capital Project Management
 - Library staffing
 - Internal Support Services (IT, Document Processing, Payroll)
 - Fund reallocations
 - Supplies and Services (Facilities, Streets, Library, ESD, CPA)

TIER 1 PROPOSALS SUMMARY

Revenue Enhancements	\$ 210
Expenditure Reductions	<u>3,472</u>
Total	\$3,682
Net Estimated Budget Savings	<u>325</u>
Total Recommendations	4,007

(Dollars in thousands)

PROPOSED BUDGET

FY09-10 Projected Budget Deficit

(Prior to recommendations)

\$ 6,237

Revenue Enhancement/Expenditure Reduction

Recommendations

4,007

Required Use of Reserves

\$ 2,230

(Dollars in thousands)

FY08-09 CARRYOVER BALANCE

Total Estimated Available for Allocation		\$2,452 ¹
Recommended Annual Allocations:		
General Fund Reserve	(900)	
Limited-Period Exp. FY09-10	(491)	
Capital Outlay Supplement	(107)	
Compensated Absences	<u>(2,000)</u>	
Total Recommended Allocations		<u>(3,498)</u>
Est. Funding from Budget Contingency Reserve		\$(1,046) ²

¹Includes \$1.9 M est. FY08-09 Operating bal. plus \$577,000 PY bal. avail.

²\$3.4 M if Equip Repl. and Ret. Health not included in Operating budget
(Dollars in thousands)

BUDGET CONTINGENCY RESERVE

Current Balance	\$5,000
Recommended Allocation from CIP Reserve	<u>3,018</u>
Total	\$8,018
Needed to Balance Operating Budget	(2,230)
Estimated Insufficient Carryover Funding	(1,046) ¹
Transition Funds Needed	<u>(250)</u>
Estimated Remaining Reserve Balance	\$4,492

¹\$3.4 M if Equip. Repl. and Ret. Health not included in Operating budget
(Dollars in thousands)

FY09-10 REVENUE CHALLENGES

- FY09-10 projected revenues \$1.5M lower than FY07-08 actual revenues

	FY07-08	FY09-10	
	<u>Audited</u>	<u>Proposed</u>	<u>Difference</u>
Sales Tax	\$17.3M	\$15.7M	-\$1.6M
TOT	\$4.3M	\$2.8M	-\$1.5M
Investment Earnings	\$3.9M	\$3.3M	-\$0.6M

- Property Tax revenue increasing, but at a lower rate
 - Lags the economy
 - Estimated to potentially decline in FY10-11

FY09-10 EXPENDITURE CHALLENGES

- FY09-10 projected expenditures \$4.3 M higher than FY08-09 adopted (prior to proposed reductions)
 - Salary related compensation \$2.5M
 - Medical/Dental \$656,000
 - Retirees' Health normal cost \$749,000
 - Nondiscretionary increases (utilities, maintenance, etc.) \$364,900
- Equipment Replacement full funding \$685,000
- Retirees' Health Amortization of UAAL \$1.6M

FY09-10 OTHER GENERAL FUNDS CHALLENGES

- Building Services- fully cost recovered over time
 - FY07-08 Audited
 - revenue \$4.7M vs. expenditures \$3.2M
 - FY09-10 Proposed
 - revenue \$2.9M vs. expenditures \$3.9M
- Shoreline Golf Links – strategic assessment needed
 - FY07-08 Audited
 - revenue \$3.6M vs. expenditures \$3.8M
 - FY09-10 Proposed
 - revenue \$3.3M vs. expenditures \$4.1M

LIMITED-PERIOD FUNDING

- Requests/needs of a one-time or limited duration
- Not included as part of the permanent operating budget
- Not counted in determining the operating balance
- Funded from the prior fiscal year carryover balance/reserves
- \$490,800 new for General Fund (plus \$498,500 rebudgeted)

STATE OF CALIFORNIA

- Property Taxes at Risk - Proposition 1A provision would allow the State to borrow from local governments up to 8.0 percent of property taxes or \$2.5 million of General Operating Fund revenues (plus \$1.8 million Shoreline Regional Park Community)
- Potential General Operating Fund Impacts (2 years)
 - Gas Tax: -\$850,000
 - State Mandate Reimbursement: -\$54,000

GENERAL OPERATING FUND GOALS

- Prevent the accumulation of a structural deficit so when the economy stabilizes, the City's budget and finances will be normalized
- Structurally Balanced budget for FY2010-11

OTHER EXPENDITURE ISSUES

- Items recommended by Council Subcommittees or reflect preliminary Council direction: \$212,400
- Will require Council direction as to whether to incorporate these items in the Adopted Budget
- Ongoing or limited-period?
- Additional reductions or greater use of reserves will be needed to fund any of these items

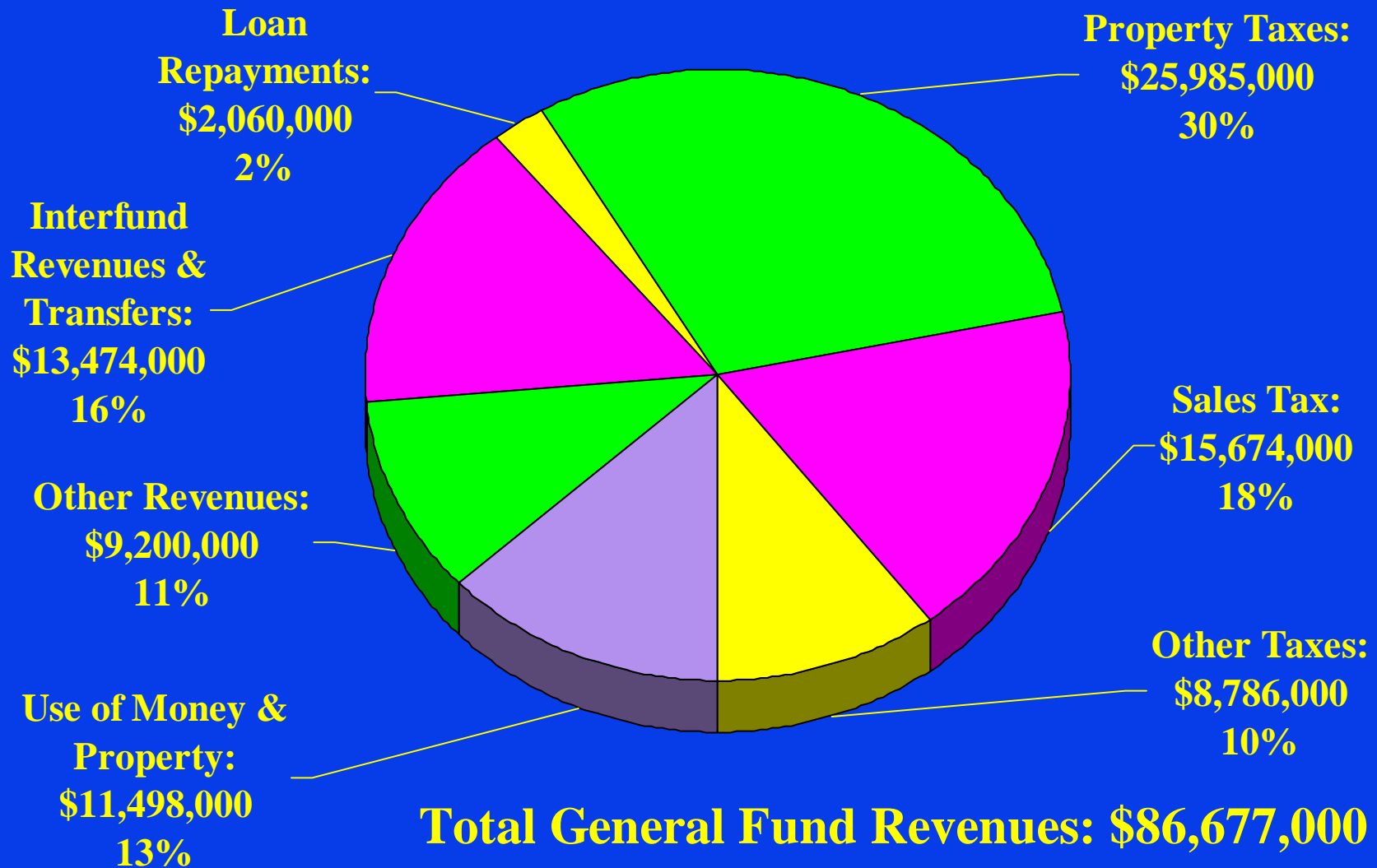
GENERAL OPERATING FUND ISSUES REQUIRING COUNCIL DIRECTION

- Tier 1 Recommendations and Alternatives
- Council/Council Sub-Committee Initiated Items
 - Positive Activities for Youth Program: \$ 120,000
 - Senior Advisory Committee: up to 25,300
 - Police Activities League (PAL) Program: 24,000
 - Neighborhood Grant Program Increase: 3,000
 - Youth in Government Day: 1,200
- Current Fiscal Year Limited-Period Funding Not Continued
 - Mobile Library Services in Castro School Area: 32,500
 - Leadership Mountain View “City Day”: 3,400
 - Mountain View Reads Together Program: 3,000
- City Council Budget

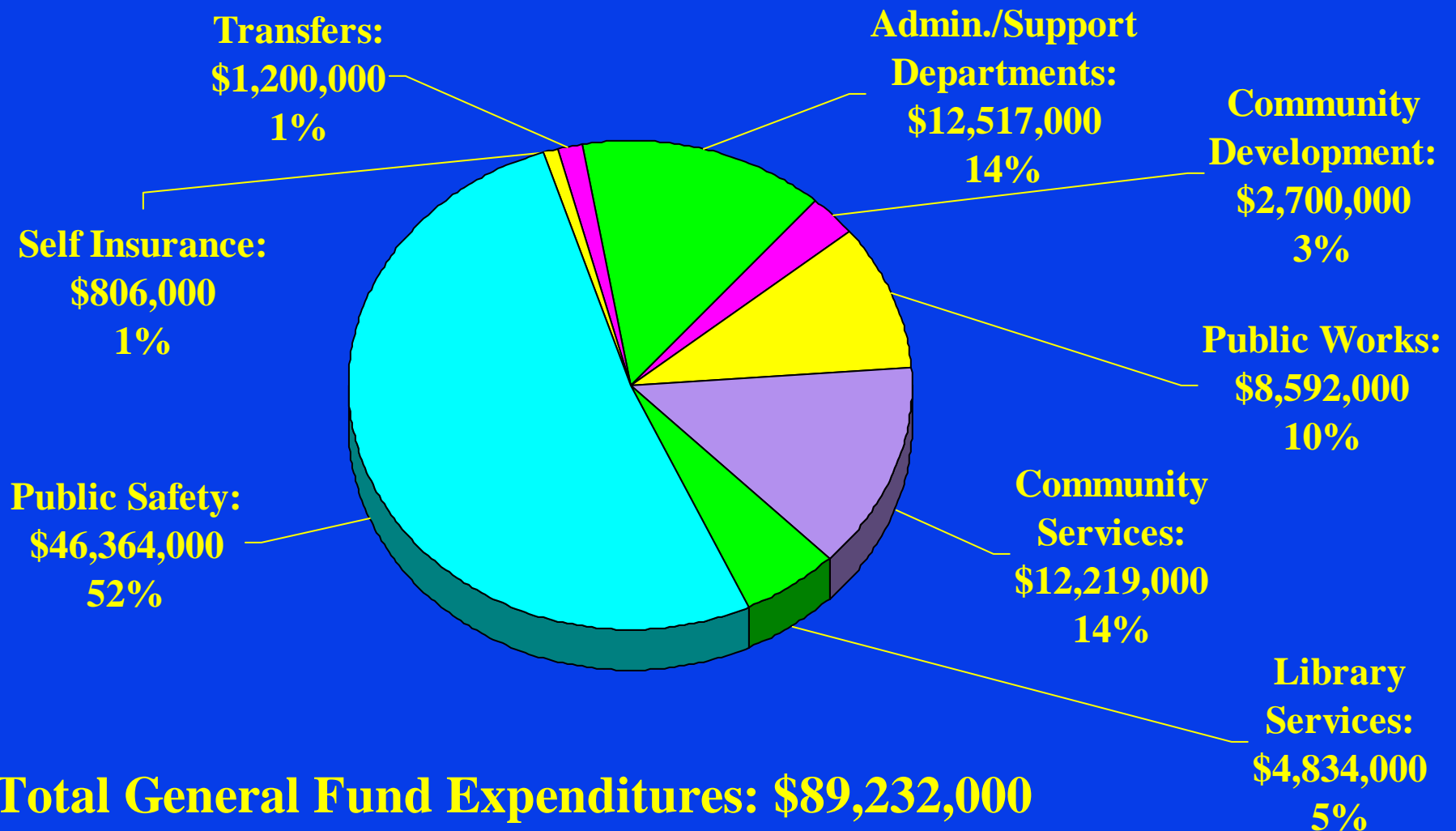
GENERAL OPERATING FUND

	2007-08 <u>Audited</u>	2008-09 <u>Adopted</u>	2008-09 <u>Estimated</u>	2009-10 <u>Proposed</u>
Revenues	\$ 88,140	88,951	88,032	86,677
Expenditures	81,815	88,392	86,157	89,232
Suppl. Expenditures:				
Equipment Replc.	-0-	-0-	-0-	685
Retirees' Health UAAL	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,635</u>
Total Expenditures	<u>81,815</u>	<u>88,392</u>	<u>86,157</u>	<u>91,522</u>
Excess (Deficiency)	6,325	559	1,875	(4,875)
Suppl. Sources				
Est. Budget Savings	-0-	-0-	-0-	2,645
Use of Reserves	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,230</u>
Operating Balance	\$ 6,325	559	1,875	-0-
(Dollars in thousands)				

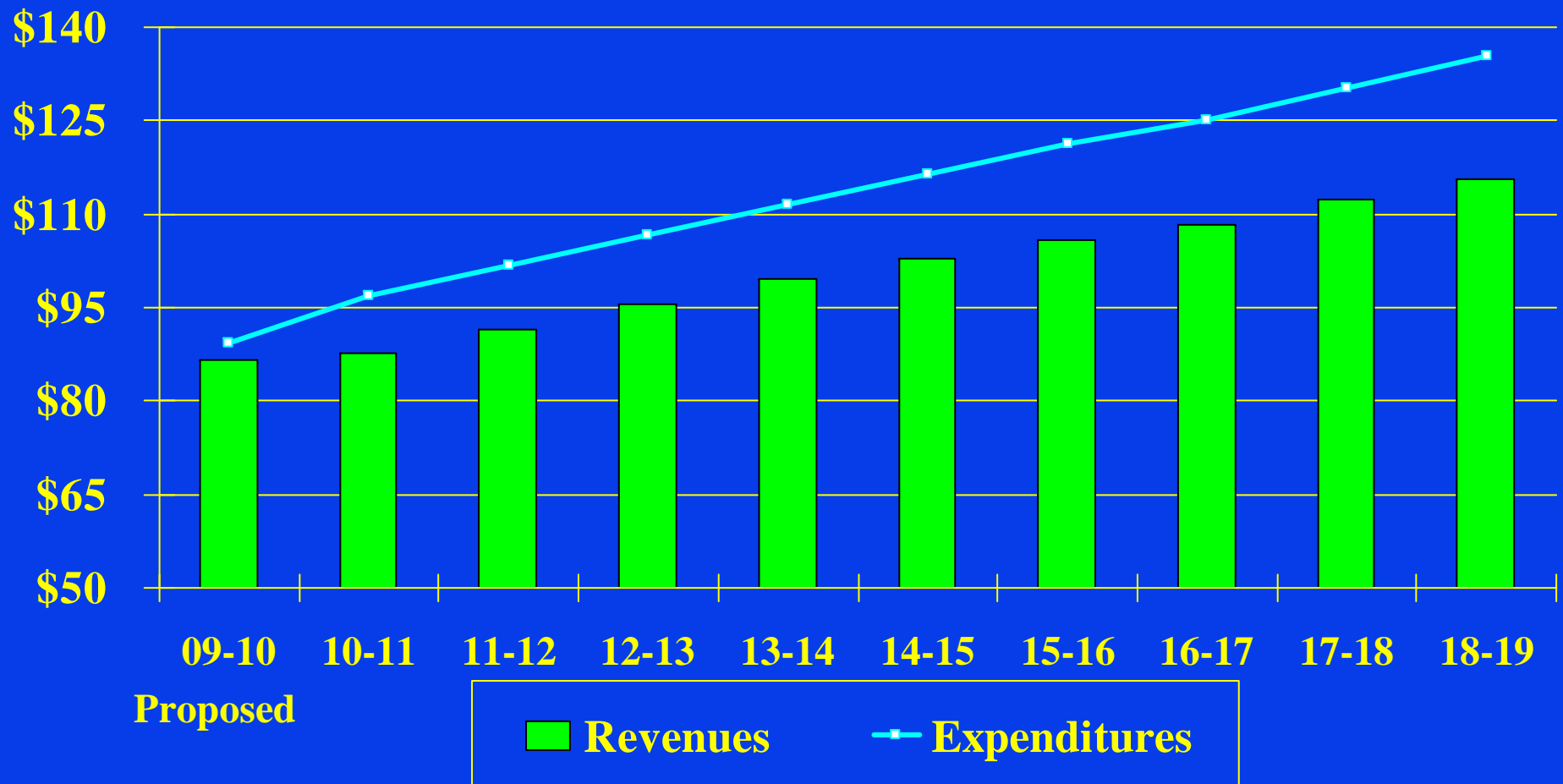
PROPOSED GENERAL OPERATING FUND REVENUES FISCAL YEAR 2009-10



PROPOSED GENERAL OPERATING FUND EXPENDITURES FISCAL YEAR 2009-10



TEN-YEAR FORECAST REVENUE & EXPENDITURE SUMMARY



(Dollars in millions)

UPDATES TO THE PROPOSED BUDGET

- Additional Fire Radios (Capital Outlay) \$2,500
- Department Recommendation Change No net cost
 - Downgrade Heavy Equipment Specialist position to Heavy Equipment Operator
 - Move Heavy Equipment Operator position to Tier 2 (from Tier 1)
 - Move the Street Maintenance Worker I/II position to Tier 1 (from Tier 2)
- Additional new fees
- Use of \$1.0M from General Fund Reserve for First Time Homebuyers Program

ECONOMIC STABILIZATION CONTINGENCY HISTORY

<u>Fiscal Year</u>	<u>Adopted Revenue</u>	<u>Adopted ESC</u>	<u>ESC as % of Revenues</u>
2000-01	67,347	1,467	2.2%
2001-02	77,539	5,605	7.2%
2002-03	72,739	2,106	2.9%
2003-04	71,030	2,565	3.6%
2004-05	72,452	1,034	1.4%
2005-06	73,779	1,069	1.4%
2006-07	80,522	1,982	2.5%
2007-08	86,205	1,256	1.5%
2008-09	88,951	559	0.6%
2009-10 Proposed	86,677	0	0.0%
(Dollars in thousands)			

SPECIAL FUNDS

REVITALIZATION AUTHORITY

- Property taxes projected lower due to projected decline in unsecured value and property sales activity
- No added expenditures proposed
- Operations cease April 2011
- Authority expires April 2019
- Updated Retirees' Health UAAL \$42,000

REVITALIZATION AUTHORITY FUND

	2007-08	2008-09	2008-09	2009-10
	<u>Audited</u>	<u>Adopted</u>	<u>Estimated</u>	<u>Proposed</u>
Revenues	\$ 4,429	4,498	5,158	4,883
Expenditures	<u>(3,163)</u>	<u>(3,210)</u>	<u>(3,247)</u>	<u>(3,254)</u>
Operating Balance	1,266	1,288	1,911	1,629
Loan Repayment	6	1	1	-0-
ERAF	-0-	-0-	(345)	-0-
Retirees' Health UAAL	-0-	(68)	(68)	(42)
Capital Projects	<u>(110)</u>	<u>(225)</u>	<u>(225)</u>	<u>-0-</u>
Excess (Deficiency)	1,162	996	1,274	1,587
Beginning Balance	3,481	4,643	4,643	5,917
Bond Proceeds	<u>(53)</u>	<u>(53)</u>	<u>(93)</u>	<u>(111)</u>
Ending Balance	\$ 4,590	5,586	5,824	7,393
(Dollars in thousands)				

SHORELINE REGIONAL PARK (NORTH BAYSHORE) COMMUNITY

- Property taxes declining due to economic conditions
- Position reallocations \$93,500
- Utilities cost increases \$7,500
- Capital Improvement Projects \$ 2,945,000
- Updated Retirees' Health UAAL \$578,000
- Careful planning of resources needed to fund all current and planned commitments
- Future debt issue for Capital Improvement Projects

SHORELINE REGIONAL PARK (NORTH BAYSHORE) COMMUNITY FUND

	2007-08	2008-09	2008-09	2009-10
	<u>Audited</u>	<u>Adopted</u>	<u>Estimated</u>	<u>Proposed</u>
Revenues	\$27,627	26,025	24,928	25,242
Expenditures	(17,827)	(18,792)	(18,551)	(18,796)
Operating Balance	9,800	7,233	6,377	6,446
General Plan Update	-0-	(1,064)	(1,064)	-0-
Transfer In	2,000	-0-	-0-	-0-
Retirees' Health UAAL	-0-	(1,213)	(1,213)	(578)
Capital Projects	(9,292)	(11,775)	(12,075)	(2,945)
Excess (Deficiency)	2,508	(6,819)	(7,975)	2,923
Beginning Balance	<u>19,425</u>	<u>21,933</u>	<u>21,933</u>	<u>13,958</u>
Ending Balance	\$21,933	15,114	13,958	16,881

(Dollars in thousands)

UTILITY FUNDS

WATER FUND

- 5.0 percent rate increase proposed
 - 15.7 percent SFPUC wholesale water cost increase
 - 6.4 percent and 4.8 percent increase for wholesale water and well water, respectively, from SCVWD
 - Recycled Water Program implementation
- Recycled Water Program costs \$326,000
- Water Conservation Program costs \$215,000
- Unfunded Position (\$15,700)
- BAWSCA Membership Dues \$13,300
- PG&E and refuse disposal costs \$12,500
- Computer hardware/software maintenance \$5,000
- Capital Outlay \$31,000
- Capital Improvement Projects \$3,420,000
- Updated balance of Retirees' Health UAAL \$1,213,000

WATER FUND

(Dollars in thousands)

	2007-08 <u>Audited</u>	2008-09 <u>Adopted</u>	2008-09 <u>Estimated</u>	2009-10 <u>Proposed</u>
Revenues	\$ 19,681	19,774	19,774	20,665
Expenditures	(15,248)	(16,843)	(15,878)	(18,293)
Base Level CIPs	<u>(1,352)</u>	<u>(1,377)</u>	<u>(1,377)</u>	<u>(1,753)</u>
Operating Balance	3,081	1,554	2,519	619
Retirees' Health UAAL	(433)	(396)	(396)	(1,213)
Additional CIPs	<u>(1,788)</u>	<u>(418)</u>	<u>(418)</u>	<u>(1,667)</u>
Excess (Deficiency)	860	740	1,705	(2,261)
Beginning Balance	7,938	8,798	8,798	10,503
Reserves	<u>(5,213)</u>	<u>(5,431)</u>	<u>(5,431)</u>	<u>(6,168)</u>
Ending Balance	\$ 3,585	4,107	5,072	2,074

WASTEWATER FUND

- 5.0 percent rate increase proposed
 - 1.7 percent PARWQCP treatment cost increase
 - Blended Water Program being discontinued
- Position reallocations \$29,400
- Unfunded Position (\$15,700)
- Capital Improvement Projects \$1,665,000
- Updated Retirees' Health UAAL \$180,000

WASTEWATER FUND

(Dollars in thousands)

	2007-08 <u>Audited</u>	2008-09 <u>Adopted</u>	2008-09 <u>Estimated</u>	2009-10 <u>Proposed</u>
Revenues	\$ 14,867	14,972	14,884	14,875
Expenditures	(12,702)	(13,665)	(13,149)	(13,679)
Base Level CIPs	<u>(1,553)</u>	<u>(1,589)</u>	<u>(1,589)</u>	<u>(1,597)</u>
Operating Balance	612	(282)	146	(401)
Retirees' Health UAAL	-0-	(32)	(32)	(180)
Additional CIPs	<u>(157)</u>	<u>59</u>	<u>59</u>	<u>(68)</u>
Excess (Deficiency)	455	(255)	173	(649)
Beginning Balance	8,356	8,811	8,811	8,984
Reserves	<u>(5,984)</u>	<u>(6,048)</u>	<u>(6,048)</u>	<u>(5,980)</u>
Ending Balance	\$ 2,827	2,508	2,936	2,355

SOLID WASTE MANAGEMENT FUND

- 7.0 percent rate increase proposed
 - Foothill Disposal adjustment 4.01 percent
 - SMaRT Station increase 8.8 percent
- Transfer maintenance costs from Golf \$84,000
- Utilities cost increases \$4,500
- Capital Improvement Projects \$493,000
- Updated Retirees' Health UAAL \$49,000

SOLID WASTE MANAGEMENT FUND

(Dollars in thousands)

	2007-08	2008-09	2008-09	2009-10
	<u>Audited</u>	<u>Adopted</u>	<u>Estimated</u>	<u>Proposed</u>
City Revenues	\$ 8,885	9,217	8,973	9,872
Foothill Revenues	<u>10,726</u>	<u>11,095</u>	<u>10,914</u>	<u>11,351</u>
Total Revenues	<u>19,611</u>	<u>20,312</u>	<u>19,887</u>	<u>21,223</u>
City Expenditures	8,808	9,233	8,850	9,919
Foothill Payments	<u>10,726</u>	<u>11,095</u>	<u>10,914</u>	<u>11,351</u>
Total Expenditures	<u>19,534</u>	<u>20,328</u>	<u>19,764</u>	<u>21,270</u>
Operating Balance	77	(16)	123	(47)
Retirees' Health UAAL	-0-	(31)	(31)	(49)
MRF Project	(2,225)	-0-	-0-	-0-
Capital Projects	<u>(25)</u>	<u>(5)</u>	<u>(5)</u>	<u>(493)</u>
Excess (Deficiency)	(2,173)	(52)	87	(589)
Beginning Balance	7,168	4,995	4,995	5,082
Reserves	<u>(2,359)</u>	<u>(2,395)</u>	<u>(2,395)</u>	<u>(2,566)</u>
Ending Balance	\$ 2,636	2,548	2,687	1,927 ₄₈

SUMMARY OF PROPOSED UTILITY RATE INCREASES

- Water – Proposed 5.0 percent rate increase
 - \$1.56/month increase for 250 gal/day
- Wastewater – Proposed 5.0 percent rate increase
 - \$1.15/month increase for a single-family residence
- Solid Waste – Proposed 7.0 percent rate increase
 - \$1.15/month increase for one 32-gallon can

RESERVES

RESERVES

- Most reserves at policy levels
- Proposed budget includes additional funding as needed
- Greatest ongoing challenge is the significant underfunding of the Retirees' Health Insurance Reserve
- Transfer of \$3.0 M from undesignated CIP balance to Budget Contingency Reserve (\$8.0M)
- Using \$2.3 M of Budget Contingency Reserve (\$3.5M total)

SPECIFIC PURPOSE RESERVES

	<u>Est Bal</u> <u>6/30/09</u>	<u>Proposed</u> <u>Allocation</u>	<u>Est. Bal</u> <u>7/1/09</u>	<u>Policy</u> <u>Bal</u>
• GF Reserve:	\$ 22,000	900	22,900	22,900
• Budget Contingency:	5,000	3,018	8,018*	8,018
• Capital Improvement:	11,018	(3,018)	8,000	5,000
• Open Space Acquisition:	3,000	-0-	3,000	3,000
• Strategic Prop Acquis:	19,645	-0-	19,645	19,645

(Dollars in thousands)

* Using \$3.5 million for FY09-10

LIABILITY RESERVES

	Est. Bal <u>6/30/09</u>	Proposed <u>Allocation</u>	Est. Bal <u>7/1/09</u>	Policy <u>Bal</u>
• GF Property Mgmt:	\$ 1,600	-0-	1,600	1,600
• Graham Site Maint:	963	-0-	963	963
• Child Care Ctr Financing:	1,357	-0-	1,357	1,575
• Compensated Absences:	7,350	2,000	9,350	8,548 ⁽¹⁾
• GF PERS Liability:	340	-0-	340	340
• Equipment Replacement:	11,820	-0-	11,820	15,404
• Workers' Comp.	5,144	-0-	5,144	4,443 ⁽²⁾
• Unemployment	359	-0-	359	359
• Liability Self-Insurance:	3,202	-0-	3,202	2,382 ⁽²⁾
• Retirees' Health Ins.:	22,739	-0-	22,739	66,643 ⁽²⁾

(Dollars in thousands) ⁽¹⁾ As of June 30, 2008 ⁽²⁾ Actuarial Liability₅₃

PROPOSED BUDGET

- Funds nondiscretionary cost increases including compensation
- Maintains funding for long-term obligations
- Maintains essential services
- Unfunds 16.75 FTE positions
- General Operating Fund Consequences
 - Structurally unbalanced/technically balanced budget
 - Increases/creates fees
 - Decreased services/staff capacity in a number of service areas
 - Requires use of reserves
 - No margin for error (structural deficit vs. economic stabilization contingency) - Requirement to under expend the budget
 - Hiring freeze
 - Careful revenue monitoring
 - Mid-year adjustments likely

CONCLUSION/SUMMARY

- General Fund Ending FY08-09 balanced (\$1.9M)
- Special Revenue/Utility Funds are stable
- General Operating Fund
 - Challenge vs. Crisis
 - Containing growth in expenditures is easier than reducing expenditures
 - Determine the appropriate balance between expenditure reductions and revenue enhancements
 - Choice between undesirable alternatives
 - The estimated \$2.2 M structural deficit is “unfinished business” that needs to be addressed – it will not “self correct”
 - Great uncertainty remains: Economy and State
 - Harder decisions lie ahead

CONCLUSION/SUMMARY (cont.)

- Study Session Scheduled for June 23, 2009
 - How to address the remaining structural deficit for FY09-10 and begin to plan for additional actions needed to address the projected deficit for FY10-11
 - Process and strategy questions

NEXT STEPS

- Tonight:
 - “Straw Vote” on Budget as Amended
- June 9th Council Meeting:
 - Utility Rate Public Hearing
 - Budget Adoption

STRAW VOTES

- FY 2009-10 City of Mountain View Proposed Operating Budget
- FY 2009-10 Mountain View Revitalization Authority Proposed Budget
- FY 2009-10 Mountain View Shoreline Regional Park Community Proposed Budget
- FY 2009-10 City of Mountain View Capital Improvement Financing Authority